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UNCLAS MUSCAT 000989

SIPDIS

SENSITIVE

STATE FOR NEA/ARP, EB/CBA, EB/ESC/IEC/ENR
COMMERCE FOR ITA C.OBERG

E.O. 12958: N/A

TAGS:

SUBJECT: PSEG TO SELL OMAN UTILITY INVESTMENT

1. (U) Contains business proprietary information - please protect.

2. (SBU) On June 17, PSEG officials Nelson Garcia, Vice President, Generation and Technical Services, and Hal Sunar, Business Director, Development and Management, informed Econoff that the company would be divesting itself from Salalah Port Holdings, the holding company for Dhofar Power Company. U.S.-based PSEG led a consortium in March 2001 in creating Dhofar Power, which began producing power through its 240 megawatt generation facility in May 2003. Under a 20-year contract with the government, Dhofar Power manages and operates the entire Salalah power grid, generating and distributing electricity to approximately 40,000 customers.

3. (SBU) Garcia explained that the decision is part of broader campaign to divest the New Jersey company from its international operations as a result of merger talks with Chicago-based Exelon. Exelon, which will become the largest nuclear power producer in the U.S. once the merger is complete, has indicated that it will focus exclusively on its domestic nuclear operations. As a result, PSEG has already sold its investments in Tunisia, China, and Poland, and intends to unload its stake in Chilean, Italian, and Peruvian power companies.

4. (SBU) PSEG has received a competitive offer for its 46% stake in the company from the "Oman Technical Partners Consortium," led by the al-Maashani family's Muscat Overseas Group. (Note: The al-Maashanis are related to Sultan Qaboos on the maternal line, and are one of the southern Dhofar region's most prominent tribes. End note.) The consortium includes Malaysian independent power producer Malakoff and Finnish firm Fortum. PSEG expects the deal to be completed by the end of July.
GRAPPO